



# 2007

ANNUAL REPORT

EXTENDED HEALTH CARE PLAN



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## Letter of Transmittal



His Honour, The Honourable Dr. Gordon L. Barnhart  
Lieutenant Governor of the Province of Saskatchewan  
Government House  
4607 Dewdney Avenue  
Regina, Saskatchewan  
S4P 3V7

Dear Sir:

### Letter of Transmittal

I have the honour to transmit herewith the twelfth Annual Report of the  
Extended Health Care Plan for the year ending December 31, 2007.

I have the honour to be, Sir,

Your obedient servant,

A handwritten signature in dark ink, appearing to read 'Rod Gantefer', with a stylized flourish at the end.

Rod Gantefer  
Minister of Finance

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## Letter of Transmittal

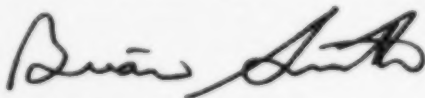
The Honourable Rod Gantefer  
Minister of Finance  
Regina, Saskatchewan

Sir:

### Letter of Transmittal

On behalf of the Public Employees Benefits Agency, I have the honour to transmit herewith the twelfth Annual Report of the Extended Health Care Plan for the year ending December 31, 2007.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Brian Smith". The signature is fluid and cursive, with the first name "Brian" being more prominent than the last name "Smith".

Brian Smith  
Assistant Deputy Minister  
Public Employees Benefits Agency

## Extended Health Care Plan

### Introduction

The Extended Health Care Plan was established on October 1, 1996.

The Fund is used to account for the transactions of the Extended Health Care Plan which provides health care benefits to PS/GE SGEU and CUPE 600-3 employees.

As at December 31, 2007, participation in the Plan has been approved by the Lieutenant Governor in Council for all government organizations whose employees are employees of the Government of Saskatchewan as defined under *The Public Service Act* and who are members of PS/GE SGEU or CUPE 600-3.

### Participating Employers

The following employees participate in The Extended Health Care Plan:

With respect to employees who are members of the Saskatchewan Government and General Employees' Union:

Board of Arbitration under *The Surface Rights Acquisition and Compensation Act* (The)  
Children's Advocate (Office of the)  
Farm Land Security Board  
Horned Cattle Fund  
Information and Privacy Commissioner (Office of the)  
Milk Control Board  
Ombudsman (Office of the)  
Prairie Diagnostic Services Inc.  
Saskatchewan Archives Board  
Saskatchewan Municipal Board

The Government of Saskatchewan with respect to members of the Public Service of Saskatchewan as defined under *The Public Service Act*, 1998

With respect to employees who are members of the Canadian Union of Public Employees, Local No. 600-3:

The Government of Saskatchewan with respect to members of the Public Service of Saskatchewan as defined under *The Public Service Act*, 1998

### Administration

The Public Employees Benefits Agency has established a fund pursuant to *The Financial Administration Act*, 1993 for the purpose of providing benefits under the Plan. A Joint Board of Trustees, comprised of an equal number of management and union representatives, has been established and is responsible for reviewing the ongoing operations of the Plan.

The Plan pays premiums to Group Medical Services who provide insured extended health coverage. The Plan's risk is limited to the payment of premiums.

### Funding

Separate funding agreements are in effect for both PS/GE SGEU and CUPE 600-3 employees.

Funding for PS/GE SGEU members covered is:

- the employer will contribute 1.03% of straight time annual payroll to the fund on a monthly basis for payment of premiums of eligible employees
- effective October 1, 2001, the employer will contribute 1.28% of straight time annual payroll
- effective October 1, 2006, the employer will contribute 1.78% of straight time annual payroll
- the employer will contribute to the Benefit Plan Surplus fund on a monthly basis as follows:
  - effective September 30, 1996 - 0.07% of straight time annual payroll;
  - effective September 30, 1997 - 0.37% of straight time annual payroll;
  - effective October 1, 1999 - 0.47% of straight time annual payroll;

- effective October 1, 1999 – lump sum contributions \$2 million
- effective October 1, 2001 – lump sum contributions \$3.5 million
- effective October 1, 2004 – lump sum contributions \$6.9 million
- for the period December 1, 2004 to November 30, 2005, the Government and PS/GE SGEU decided to divert the .25% funding from the Retiree Plan to the PS/GE SGEU Benefits Plans' Surplus Fund. This amounted to \$1,013,682.
- effective August 1, 2007 to December 31, 2008, the .47% SGEU Benefit Plans' Surplus Funding is being redirected to the Public Employees Dental Plan

Funding for CUPE 600-3 members covered is:

- the employer will contribute 1.08% of straight time annual payroll to the fund on a monthly basis for payment of premiums of eligible employees
- effective September 30, 1997, the employer will contribute 1.23% of straight time annual payroll
- effective October 1, 2006, the employer will contribute 1.43% of straight time annual payroll
- effective December 28, 2003 to December 31, 2004, the employee contribution rates are \$11.54 per pay period for members paid bi-weekly and \$25.00 per pay period for members paid monthly
- the employees covered by the PSC/CUPE 600-3 Collective Agreement will contribute to the Benefit Plan Surplus fund on a monthly basis as follows:
  - effective September 30, 1996 - 0.07% of straight time annual payroll; plus
  - the amount required to make up the difference between the employer's contributions and the cost of monthly

premiums for eligible employees, up to 0.15% of straight time annual payroll

- effective September 30, 1997, the employer will contribute to the Benefit Plan Surplus fund a further .30% of straight time payroll. In addition, the employer pays the original .07% of straight time payroll previously paid by the employees
- effective December 20, 1999, the employer will fund at an annual rate of 0.82% of straight time annual payroll.
- effective January 1, 2005 – lump sum contributions of \$748,070

### **Benefits**

An employee is eligible for benefits at the start of the pay period immediately following a 6 month period of employment.

Claims are paid on behalf of all family members and covers certain health and vision care benefits.

# Management's Report

To the Members of the Legislative Assembly of Saskatchewan

As members of management of the Extended Health Care Plan, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

We believe the Extended Health Care Plan has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian generally accepted accounting principles.

A Joint Board of Trustees, comprised of an equal number of management and union representatives, has been established and is responsible for reviewing the ongoing operations of the Plan.

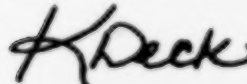
We enclose the financial statements of the Extended Health Care Plan for the year ended December 31, 2007 and the Provincial Auditor's report on these financial statements.



Brian Smith  
Assistant Deputy Minister  
Public Employees Benefits Agency



Perry Bahr  
Director, Benefit Programs  
Public Employees Benefits Agency



Kathy Deck  
Director, Financial Services  
Public Employees Benefits Agency

Regina, Saskatchewan  
February 22, 2008



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## **Extended Health Care Plan**

## **Financial Statements**

**Year Ended December 31, 2007**

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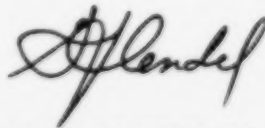
## Auditor's Report

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Extended Health Care Plan as at December 31, 2007 and the statements of operations and net assets, and cash flows for the year then ended. The Plan's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Regina, Saskatchewan  
February 22, 2008

Fred Wendel, CMA, CA  
Provincial Auditor

**Extended Health Care Plan  
Statement of Financial Position**

**Statement 1**

As At December 31

	2007				2006
	Extended Health Care Fund	PS/GE SGEU Benefit Plans' Surplus Fund	CUPE Benefit Plans' Surplus Fund	Total	Total
<b>ASSETS</b>					
Due from General Revenue Fund (Note 3)	\$304,001	\$ 784,494	\$ 34,414	\$1,122,909	\$ 929,261
Short-Term Investments (Note 4)	-	5,563,795	355,136	5,918,931	6,231,842
Employer contributions receivable	680,824	172,987	14,727	868,538	620,885
Accrued interest income	-	-	-	-	48,617
	<u>\$984,825</u>	<u>\$6,521,276</u>	<u>\$404,277</u>	<u>\$7,910,378</u>	<u>\$7,830,605</u>
<b>LIABILITIES</b>					
Liabilities:					
Due to General Revenue Fund (Note 3)	\$ -	\$ -	\$ -	\$ -	\$ 4,595
Accounts payable and accrued liabilities (Note 7)	11,619	347,892	-	359,511	11,060
Advance from General Revenue Fund (Note 5)	275,000	-	-	275,000	275,000
	<u>286,619</u>	<u>347,892</u>	<u>-</u>	<u>634,511</u>	<u>290,655</u>
Net assets (Statement 2)	<u>\$698,206</u>	<u>\$6,173,384</u>	<u>\$404,277</u>	<u>\$7,275,867</u>	<u>\$7,539,950</u>

(See accompanying notes to the financial statements)

**Extended Health Care Plan  
Statement of Operations and Net Assets**

**Statement 2**

**For The Year Ended December 31**

	2007					2006
	Budget (Note 8)	Extended Health Care Fund	PS/GE SGEU Benefit Plans' Surplus Fund	CUPE Benefit Plans' Surplus Fund	Total	Total
<b>REVENUES</b>						
Employer contributions (Note 1)	\$ 8,486,000	\$ 9,325,683	\$1,280,431	\$179,405	\$10,785,519	\$ 8,097,667
Other contributions (Note 1)	-	-	-	-	-	143,608
Employee contributions	-	-	-	-	-	688
Interest Income (Notes 3 & 4)	275,900	-	269,416	19,305	288,721	327,672
	<u>8,761,900</u>	<u>9,325,683</u>	<u>1,549,847</u>	<u>198,710</u>	<u>11,074,240</u>	<u>8,569,635</u>
<b>EXPENSES</b>						
Insurance premiums	10,275,000	10,435,915	-	-	10,435,915	10,287,091
Interest (Note 3)	15,000	2,715	-	-	2,715	14,621
Administration (Note 7)	107,193	89,693	-	-	89,693	107,740
	<u>10,397,193</u>	<u>10,528,323</u>	<u>-</u>	<u>-</u>	<u>10,528,323</u>	<u>10,409,452</u>
(Deficit) surplus for the year before the following:	(1,635,293)	(1,202,640)	1,549,847	198,710	545,917	(1,839,817)
Interfund transfers (Note 1)	-	1,742,000	(1,515,000)	(227,000)	-	-
Transfer to PEDF (Note 1)	-	-	(700,000)	(110,000)	(810,000)	(86,861)
(Deficit) Surplus for the year	(1,635,293)	539,360	(665,153)	(138,290)	(264,083)	(1,926,678)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>7,539,950</u>	<u>158,846</u>	<u>6,838,537</u>	<u>542,567</u>	<u>7,539,950</u>	<u>9,466,628</u>
<b>NET ASSETS, END OF YEAR (Statement 1)</b>	<u>\$ 5,904,657</u>	<u>\$ 698,206</u>	<u>\$6,173,384</u>	<u>\$404,277</u>	<u>\$ 7,275,867</u>	<u>\$ 7,539,950</u>

(See accompanying notes to the financial statements)

**Extended Health Care Plan  
Statement of Cash Flows**

**Statement 3**

**For The Year Ended December 31**

	<b>2007</b>				<b>2006</b>
	<b>Extended Health Care Fund</b>	<b>PS/GE SGEU Benefit Plans' Surplus Fund</b>	<b>CUPE Benefit Plans' Surplus Fund</b>	<b>Total</b>	<b>Total</b>
<b>Cash flows from (used in)</b>					
<b>operating activities:</b>					
Employer contributions received	\$ 9,094,360	\$ 1,264,732	\$ 178,774	\$10,537,866	\$ 8,071,682
PS/GE SGEU Surplus Funds received on behalf of the Dental Fund	-	966,220	-	966,220	-
PS/GE SGEU Surplus Fund paid to the Dental Fund	-	(618,328)	-	(618,328)	-
Employee contributions received	-	-	-	-	688
Other contributions received	-	-	-	-	143,608
Interest (paid) received	(2,715)	260,986	19,542	277,813	264,434
Insurance premiums paid	(10,438,034)	-	-	(10,438,034)	(9,428,115)
Administration expense paid	(87,015)	-	-	(87,015)	(122,384)
<b>Cash flows from (used in)</b>					
<b>operating activities</b>	<b>(1,433,404)</b>	<b>1,873,610</b>	<b>198,316</b>	<b>638,522</b>	<b>(1,070,087)</b>
<b>Cash flows from (used in)</b>					
<b>investing activities:</b>					
Purchase of investments	-	(21,577,219)	(1,527,963)	(23,105,182)	(29,635,942)
Proceeds from disposal of investments	-	21,831,279	1,643,624	23,474,903	23,404,100
<b>Cash flows from (used in)</b>					
<b>investing activities</b>	<b>-</b>	<b>254,060</b>	<b>115,661</b>	<b>369,721</b>	<b>(6,231,842)</b>
Net (decrease) increase due to/from General Revenue Fund	(1,433,404)	2,127,670	313,977	1,008,243	(7,301,929)
Interfund transfers (Note 1)	1,742,000	(1,515,000)	(227,000)	-	-
Transfer to PEDF (Note 1)	-	(700,000)	(110,000)	(810,000)	(86,861)
	308,596	(87,330)	(23,023)	198,243	(7,388,790)
Due (to)/from General Revenue Fund, Beginning of year	(4,595)	871,824	57,437	924,666	8,313,456
Due from General Revenue Fund, end of year	\$ 304,001	\$ 784,494	\$ 34,414	\$ 1,122,909	\$ 924,666

(See accompanying notes to the financial statements)

## **Extended Health Care Plan Notes to the Financial Statements**

**December 31, 2007**

### **1. Description of the Plan**

The Extended Health Care Plan (Plan) was established on October 1, 1996 pursuant to subsection 64(2) of *The Financial Administration Act, 1993*. The Plan provides extended health care benefits to certain unionized employees of the Government of Saskatchewan.

The Plan consists of the Extended Health Care Fund, the Saskatchewan Government and General Employees' Union (PS/GE SGEU) Benefit Plans' Surplus Fund and the Canadian Union of Public Employees', Local 600-3 (CUPE) Benefit Plans' Surplus Fund.

The Public Employees Benefits Agency (PEBA) manages the Plan under direction from the Joint Board of Trustees. The Joint Board of Trustees is made up of equal representation of union members and employers' representatives.

#### Extended Health Care Fund

The Extended Health Care Fund receives contributions from employers, whose participation in the Plan has been approved by the Lieutenant Governor in Council. The contribution rate is 1.78% (2006 - 1.28%) of regular payroll for PS/GE SGEU and 1.43% (2006 - 1.23%) of regular payroll for CUPE members. The contribution rates are established pursuant to PS/GE SGEU and CUPE collective bargaining agreements with the Government. The contributions rates were increased retroactively to October 1, 2006 with the signing of new collective agreements during 2007.

The Government through the Minister of Finance entered into an agreement with Group Medical Services (GMS) to provide eligible employees with extended health coverage that expired on December 31, 2007. A new 2 year agreement effective January 1, 2008 has been negotiated with GMS. The Plan pays premiums for eligible employees to GMS as set out in the agreement. The Plan's risk is limited to the payment of these premiums.

#### Benefit Plans' Surplus Funds

The PS/GE SGEU Benefit Plans' Surplus Fund and the CUPE Benefit Plans' Surplus Fund (Surplus Funds) were established to meet the terms of the PS/GE SGEU and CUPE collective bargaining agreements with the Government. The Surplus Funds receive contributions from employers whose participation in the Plan has been approved by the Lieutenant Governor in Council. The contribution rates are as follows:

- 0.47% of regular payroll of PS/GE SGEU members
- 0.82% of regular payroll of CUPE members

The purpose of the Surplus Funds is to offset cost increases arising from extended health care benefits and future dental plan enhancements. Enhanced dental benefits are provided to PS/GE SGEU and CUPE members through the Public Employees Dental Fund (PEDF). The Joint Board of Trustees must approve the use of the net assets of the Surplus Funds.

During the year, the Joint Board of Trustees authorized PEBA to transfer adequate resources from the Surplus Funds to the Extended Health Care Fund in order to provide extended health care benefits over the term of the contract with GMS. Accordingly, PEBA transferred to the Extended Health Care Fund \$1,515,000 (2006 - \$3,457,000) and \$227,000 (2006 - \$253,100) from the PS/GE SGEU Benefit Plans' Surplus Fund and CUPE Benefit Plans' Surplus Fund respectively.

On November 30, 2004, the Government and PS/GE SGEU signed a new collective bargaining agreement. The agreement provided for an additional \$6,000,000 in employer funding to the PS/GE SGEU Benefit Plans' Surplus Fund in 2005. In conjunction with this, SGEU filed a grievance claiming interest on the amount to be paid to the PS/GE SGEU Benefit Plans' Surplus Fund. This grievance was settled by an additional payment of \$100,000 to the PS/GE SGEU Benefit Plans' Surplus Fund in 2006.

Effective April 1, 2005, Saskatchewan Property Management (SPM) employees (formerly Saskatchewan Property Management Corporation) were included under the Extended Health Care Plan. In 2006, SPM Paid \$43,608 from the SPMC Health Care Plan for CUPE employees to the CUPE Benefit Plans' Surplus Fund.

The Joint Board of Trustees also authorized PEBA to transfer adequate resources from the PS/GE SGEU Benefit Plans' Surplus Fund and CUPE Benefit Plans' Surplus Fund to the PEDF in order to provide enhanced dental benefits to participating SGEU and CUPE members to December 31, 2007. Accordingly, PEBA transferred \$700,000 (2006 - \$0) from the PS/GE SGEU Benefit Plans' Surplus Fund and \$110,000 (2006 - \$86,861) from the CUPE Benefit Plans' Surplus Fund to the PEDF. In addition, the Board authorized that PS/GE SGEU Benefit Plans' Surplus funding of .47% be redirected to the PEDF for the period August 1, 2007 to December 31, 2008. This amounted to \$966,220 for the current year to December 31, 2007.

## **2. Significant Accounting Policies**

The financial statements are prepared in accordance with Canadian generally accepted accounting principles. The following accounting policies are considered significant.

### **a) Employer Contributions**

Employers are billed premiums at the end of each month. Premiums are recognized as revenue when due.

### **b) Interest Revenue**

Interest is recognized as income when earned.

### **c) Advance from General Revenue Fund**

The advance is payable on demand and valued at settlement amount which equates to fair value.

### **d) Financial Instruments**

Effective, January 1, 2007, the Plan adopted the recommendations of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855 -Financial Instruments-Recognition and Measurement. Under these new standards, all financial assets and financial liabilities must be

identified and classified. This classification determines how each financial instrument is measured. The Plan's financial instruments and their classification are as follows:

<b>Financial Instrument</b>	<b>Classification</b>
Due from General Revenue Fund	Held for trading
Employer contributions receivable	Loans and receivables
Short-term investments	Held for trading
Accounts Payable and accrued liabilities	Other financial liabilities
Advance from General Revenue Fund	Other financial liabilities

Held for trading financial assets and liabilities are measured at fair value. Changes in the fair value are recognized in the Statement of Operations and Net Assets. For short-term investments, fair value is determined as cost plus accrued income, which approximates market value. Loans and receivables and other financial liabilities are measured at amortized cost. Due to their short-term nature, the amortized cost of these instruments approximates their fair value.

This change in accounting policy did not have a significant impact on the Plan's financial statements at the time of adoption.

#### **e) Recent Accounting Pronouncements**

Effective January 1, 2008, the Plan will be required to adopt the CICA Handbook Sections 3862 – Financial Instruments – Disclosures, and 3863 – Financial Instruments – Presentation. Section 3862 provides standards for disclosure of the risks arising from financial instruments to which the Plan is exposed, and how the risks are managed by the Plan. Section 3863 provides standards for the presentation of financial instruments and non-financial instrument derivatives. The Plan does not expect the adoption of these new standards to have a material impact on its financial statements.

### **3. Due to/from General Revenue Fund**

The monies of the Extended Health Care Fund and Benefit Plans' Surplus Funds are co-mingled in one bank account. The Plan's bank account is included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan. The Plan's bank account balance is recorded as due to/from General Revenue Fund to the Benefit Plans' Surplus Funds and to the Extended Health Care Fund separately on the Statement of Financial Position.

The General Revenue Fund calculates interest earned and owing on a quarterly basis using the Government's thirty day borrowing rate, and the Plan's average daily bank account balance. The Government's average thirty day borrowing rate in 2007 was 4.26% (2006 – 3.95%).

### **4. Short-Term Investments**

Short-term investments are comprised of commercial paper with an effective interest rate of 4.8% (2006-4.2% to 4.3%) with an average remaining term to maturity of 17 (2006 – 41) days. Investments are purchased through the Treasury and Debt Management Branch of the Ministry of Finance and are subject to the Ministry's investment guidelines. The guidelines require that



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investments must meet a minimum investment standard of "R-1" rating, as rated by a recognized credit rating service.

**5. Advance from General Revenue Fund**

The General Revenue Fund advanced the Plan monies when the Plan began operations. The advance is required because the Plan must pay premiums at the beginning of each month and employer contributions are not received until after the end of each month.

The advance is interest-free with no fixed maturity date and is repayable on demand.

**6. Financial Instruments Risks**

The Plan is exposed to minimal credit risk from the potential non-payment of employer contributions receivable as these receivables are from government agencies and were collected shortly after year-end.

**7. Related Party Transactions**

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Plan by virtue of common control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). Related party transactions with the Plan are in the normal course of operations and are recorded at the agreed upon exchange amounts charged by these organizations.

All employer contributions, other contributions, and employer contributions receivable are from related parties. Also, in 2007, PEBA charged the Plan \$89,693 (2006 - \$107,740) for administration expenses. Included in accounts payable and accrued liabilities is \$7,265 (2006 - \$4,587) due to PEBA and \$347,892 (2006 - \$0) payable to the Public Employees Dental Fund.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and notes thereto.

**8. Budget**

PEBA prepares the budget for approval by the Joint Board of Trustees.

